

# Geneva Watch

*An overview of the WTO negotiations on agriculture*

## **‘Don’t Allow the Perfect to be the Enemy of the Good’**

After ministerial gatherings on the sidelines of the World Economic Forum in Davos, and meetings of trade ministers from the G-20 and Asia-Pacific Economic Cooperation (APEC) earlier this year, the last WTO mini-ministerial meeting scheduled to inject fresh impetus into the Bali package negotiations before the summer break took place alongside the OECD ministerial meeting in Paris on May 30<sup>th</sup>.

With the slow progress achieved thus far on the Bali Package, high officials from about 20 countries (Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, the EU, Hong Kong, India, Jamaica, Japan, Mexico, Nepal, New Zealand, Peru, South Africa, Switzerland, and the U.S.) held a more focussed discussion on what needs to be implemented in order to achieve a successful outcome at the MC9 in Bali this December.

The meeting, which lasted about three hours, was said to be very focussed and quite specific. “We gave clear instructions to negotiators (...) ambiguity was not a feature of the discussion today,” Australian Trade Minister, Craig Emerson said.

## **TF & Public Stockholding**

Though other topics under consideration for Bali such as TRQ administration or measures to improve market access for least developed countries (LDCs) were also raised, discussions in Paris revolved around two main issues on which a delicate balance has to be addressed: trade facilitation (TF) – viewed as the central piece of the Bali package – and the G-33 proposal on public stockholding for food security.

The first – TF – is considered to have a huge economic impact, while featuring small political ramifications, while the G-33 proposal is politically loaded, but rather insignificant economically.

Trade facilitation alone is estimated to represent 44% of the total benefits available from the Doha Round, by reducing the cost at the border (and beyond the border) on importing and exporting firms. In Davos, Switzerland, ministers were told that the TF text contained about 600 square brackets (items not finalized). The goal was to substantially reduce these brackets before the summer break. In Paris, only 50 of those brackets have been removed, leaving the text with about 550 square bracketed paragraphs.

“At this rate we’re not going to get there,” stressed one official who attended the meeting, adding that all Members present in the room agreed that there has to be a much better effort made to remove the remaining square brackets in the TF text. Brazil, for instance, suggested reducing the number by 50% (i.e. to 275) by the end of next month.

If TF progresses so slowly, it is because some countries such as India and other G-33 members have been linking it with their proposal on public stockholding. Developed countries, including the U.S. and the EU, have opposed the G-33 proposal, claiming that as it stands, it was not likely to obtain consensus given the change it will bring to the existing AMS rules.

Consultation on this has thus far tried to look at country-specific solutions, instead of a more global outcome that would apply to all developing countries. Members also looked at changing the external reference price (currently based on 1986-88 averages to 2005-07), but this option has met resistance given the undesirable implications which would see some large subsidy providers end up with a larger *de minimis* level.

A solution on this issue is paramount to advancing the Bali package. India's government has introduced a bill on the right to food to its parliament, which has a huge political implication, officials in Paris said. Indian Minister of Commerce, Industry & Textiles, Anand Sharma, assured that his country will play a constructive role in ensuring successful outcome in Bali. But, while recognizing the importance of TF, Sharma underscored the need for addressing the concerns of food security.

Attending the Ministerial on behalf of the U.S. Trade Representative, U.S. ambassador to the WTO, Michael Punke, warned on May 29<sup>th</sup> that the WTO will not get back on track for Bali unless those Members (i.e. India and the G-33) "who are holding hostages in this negotiation – refusing to allow progress in one area, trade facilitation, until they get all they want on agriculture – stop taking that tack."

A day later, he qualified the ministerial gathering as useful. "One of the positive things that came out at this meeting was a very clear agreement for an intensive effort over the next months to remove brackets from the TF text. We will be engaged very robustly, and I think at the end of that time we'll have a much clearer idea of where we stand," Punke said at the end of the meeting.

## **Other Agriculture Items**

The other agriculture proposals for Bali were also briefly discussed. The TRQ administration proposal seems to draw consensus as being calibrated for Bali. Japan and Switzerland said they had a problem with the proposal, but were prepared to engage.

South Africa, Argentina, and Brazil said the G-20's recent proposal on export competition was important for them. They claimed to have been very measured in their approach, as the proposal is only calling for 50% of the reduction in exported subsidy this year, half of the provision included in the Hong Kong Declaration. The proposal was only circulated recently and agriculture negotiations chair, John Adank has not yet conducted consultations on this. However, the U.S. and EU have already rejected including this for Bali, claiming that it would alter the balance needed for a successful outcome.

## **End of July Deadline**

Outgoing WTO Director General, Pascal Lamy qualified the discussion as "honest" and "open." There was a higher level of engagement; a number of countries said they were prepared to move out of their comfort zone on specific issues particularly TF and public stockholding. "The two main proponents, the US and India said they were ready to work intensively in the weeks to come to find a pathway on these two main issues," Lamy stressed.

"We will know by the end of July whether this meeting has provided the necessary impetus. Without this impetus Bali cannot be done."

Lamy said he felt Members are genuinely willing to increase the pace knowing that failure in Bali would have a long-lasting, damaging effect on the WTO.

"There was also a general agreement that we would not be seeking to achieve a political agreement that lacks substance simply to say that we got the result in Bali. You would be able to see through that, we could see through that, the world could see through that, and we are interested therefore only in a substantive agreement," Australia Trade Minister, Craig Emerson stated. "We do not want the best to be the enemy of the good, such that we thrive so high that we end up with nothing. Failure is not an option," he concluded.

"There is a shared feeling that we are entering a danger zone," Lamy acknowledged "July being the last petrol station before the Bali highway."

## Upcoming Events

- Informal Trade Negotiations Committee, June 3, 2013
- Regular Agriculture Committee, June 13-14, September 4, November 12, 2013
- G8 Summit, June 17-18, 2013 in Ireland
- TPP Round XVIII, July 15–25, 2013, Kuala Lumpur (Malaysia)
- General Council, July 24-25, Oct. 8-9, Nov. 5-6, 2013
- Deadline for Bali Deliverables, August, 2013
- WTO Public Forum, October 1–3, 2013
- APEC Leaders' Summit, October 1–8, 2013
- WTO 9<sup>th</sup> Ministerial Conference (MC9), December 3–6, 2013, Bali (Indonesia)

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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